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PUBLIC ISSUE MOBILIZATION MAY CROSS RS. 45,000 CRORE IN 2007: PRIME

Courtesy a buoyant secondary market, and handsome post-listing gains on almost all IPOs, 2007 may turn out to be a bumper year for public issues. According to Mr.Prithvi Haldea of PRIME, country's leading database on the primary market, the total pipeline is already Rs.1,75,000 crore, never as strong as now, and is building up by the day. However, all of this cannot and will not mature within 2007 and it is estimated that the year may witness about 150 public issues raising about Rs.45,000 crore. This will be the highest-ever amount in a year-the previous highest was Rs.30,511 crore in 2004. The calendar 2006, despite an extremely bullish secondary market and a high-return primary market, had ended with a mobilization of only Rs.24,432 crore, which nevertheless was the second highest-ever.

Significantly, even if only the documents filed with SEBI as of today were to materialize, these would, according to PRIME, result in a mobilization of Rs.28,376 crore (which incidentally will be higher than 2006), with the complete year still ahead.

Unlike ever in the past, the key characteristics of the prospective issuers, according to Mr.Haldea, are one or combination of well-established companies or promoters, divestment by venture capitalists and follow-on offerings, all auguring well for the investors, the capital market and the economy. Presently, there appears no market for greenfield projects or for new promoters. Courtesy the new market structure, SEBI entry norms and compulsory participation and hence validation by QIBs, fly-by-night operators are a thing of the past. The myth of the shallowness of the Indian market has been dispelled; most issues have received healthy oversubscriptions across all investor segments.

As per Mr.Haldea, 2007 would witness some super mega issues, though by number, it would be dominated by mid-sized issues. As of today, as many as 93 issues have been filed with SEBI, collectively planning to raise Rs. 28,376 crore, giving an average of Rs.305 crore. Of these, as many as 66 are of Rs.100 crore or below. While 2004 had seen 34 issues raising Rs.30,511 crore giving an average size of Rs. 897 crore, 2005 had witnessed 72 issues raising Rs. 22,754 crore, at an average size of Rs. 316 crore and 2006 had seen 92 issues raising Rs. 24,432 crore at an average size of Rs. 266 crore. There would not be many follow on public offerings (FPOs) by listed companies, though the single mega Rs.12,000 crore SBI FPO will increase the share. The share of FPOs in the total mobilization was 56 per cent in 2005 which had fallen to 20 per cent in 2006.

Importantly, there would be hardly any small issues. This is not only because the market will not support such issues but also because there are no investment bankers willing to take on small assignments, the entry barriers at BSE and NSE are very high and the regional exchanges are closed. There was no issue of less than Rs. 10 crore in 2006, while 2005 had seen only 2 such issues.

Interestingly, the rally would not be concentrated to one or two industry sectors but would be across the board.

According to PRIME, the PSU pipeline is presently led by the power sector companies including Power Finance Corporation, Power Grid Corporation, Rural Electrification Corporation, NHPC and North Eastern Electric Power Corporation. If the Left softens its stand during the year, many divestment/ fresh issues could see light of the day. This, and other PSU/ SLU offerings, may include BEML, Dredging Corp.of India, Gujarat Mineral Development Corp., Gujarat State Energy Generation, Gujarat State Petroleum, Guru Gobind Singh Refineries, NMDC, Neyveli Lignite and Shipping Corp.of India. It may be highlighted that the estimate of Rs. 45,000 crore for 2007 is at least partly dependent on PSU issues. In 2004, the PSUs had led the mobilization effort with Rs.20,218 crore out of a total of Rs. 30,511 crore. However, the biggest disappointment for the primary market in 2005 and 2006 was the lack of divestments by the Government, with not a single deal taking place.

Offerings from PSUs shall also strengthen our narrow secondary market, which is marred by excessive speculation and volatility. This is as good a time as ever for the government to enlarge the investors' base and the capital market, and to raise money that it so desperately needs. Moreover, the public offering route is the most transparent, non-controversial route.

As per PRIME, then there are several banks in the queue. In the PSU sector, this includes Indian Bank (already filed offer document with SEBI), Bank of India, Canara Bank, Central Bank of India, Corporation Bank, State Bank of India and some of its subsidiaries, UCO Bank, United Bank of India and Vijaya Bank. Several private sector banks are also in the fray.

From the telecom sector, IPOs are expected from Idea and Essel Shyam (already filed offer document with SEBI) and from Spice.

According to Mr.Haldea, a major sector would be the real estate/infrastructure. Already, issues are lined up from Ahluwalia, Akruti and Gremach (both have received SEBI approval) with C&C Constructions, DLF, Gammon Infrastructure Projects, Jas Toll Road, Kaushalya Infrastructure, MBL Infrastructures, Omaxe, Puravankara Projects, Roman Tarmat and Saag RR Infra having already filed their offer documents with SEBI. In the pipeline are scores of companies including Afcons, Alliance Nirmaan, Ansal Buildwell, Ansal Properties, Emaar Properties, G:Corp, Goel Ganga Group, IJM (India) Infrastructure, Indu Projects, IVRCL Prime Urban, Janapriya, JMD, KNR Constructions, Kumar Builders, Mantri Developers, Navayuga Engineering, Offshore Industrial Construction, Ramky Infrastructure, RMZ Corp, Simplex Infrastructures, Supreme Infrastructure, SVEC Constructions, and Taneja Developers.

Major IPOs in the IT sector are expected from Firstsource, Mindtree Consulting, Redington and Take Solutions (already filed with SEBI) and in pipeline are IBS, L&T Infotech, Nihilent, Omnitech, Orbit and Servion.

In the media/entertainment sector, IPOs are lined up from Cinemax and Global Broadcast (already received SEBI approval) while Brahma Interactive, Broadcast Initiatives, MIC Electronics, Raj Television and SRS Entertainment have filed their offer documents with SEBI. The pipeline also includes B.R.Films, DQ Entertainment, Media Matrix, Mid Valley Entertainment, Musicworld, RGV Film and Set India.

From the health sector, major IPOs are expected from Fortis Healthcare, Max Healthcare, Meghmani Organics, Serum Institute and Unimark Remedies.

In the retail, while Vishal Retail has already filed with SEBI, some companies in the pipeline include Ebony Retail, Great Wholesale Club, Hidesign, Hotspot, Koutons, Landmark, Maheshwari Mega Ventures, Multiple Zones, Radhakrishna Foodland and Talwalkars.

In the financial sector, two exchanges are likely to get listed : BSE and MCX. Moreover, several broking firms are expected to hit the IPO market including Anand Rathi, Angel Broking, Motilal Oswal Securities, Religare Securities, Sharekhan, Transwarranty and Ventura Securities.

Some major issues in the pipeline from the other sectors include Autocop, Binani Cement, CESC, Haldia Petrochemicals, House of Pearl Fashions, Mahindra Forgings, Mahindra Holiday Resorts, Metro Tyres, Oswal Woollens, Time Technoplast, United Spirits and VRL Logistics.

According to Mr.Haldea, the fate of the primary market is now closely linked with that of the secondary market. The secondary market needs to remain scam-free, and if malpractices do occur, these need to be dealt with swiftly and offenders punished adequately. The present conditions offer an excellent opportunity to channelize household savings into the economy.